

## Office of the Auditor General Statewide Single Audit Feasibility Study

### Report Conclusion

The Office of the Auditor General and the State Budget Office both favor changing to a Statewide Single Audit approach. However, this new approach will result in a loss of federal funding for legislative audit oversight by the OAG of \$500,000. With the Legislature's support to replace those lost resources for audit oversight, the OAG will be able to redirect a significant number of audit hours to performance audits, follow up reviews, and other State mandated audits providing for increased and better legislative oversight.

	Description	Current Biennial Departmental Approach	Proposed Annual Statewide Approach
1	Number of reports	24 reports (15 in one year, 9 in the other year)	One report every year
2	Agencies audited	24 agencies	11 agencies
3	Major program thresholds	Range from \$300,000 to \$30 million	\$36 million
4	Number of programs audited	133 over two years (average of 66.5 per year)	34 programs each year
5	Federal expenditure audit coverage	98% of State's Federal Expenditures are audited.	96% of State's Federal expenditures will be audited.
6	Approach used in other States	3 including Michigan (Hawaii and New Mexico)	47 other States use a statewide approach, 45 perform the audit annually, and 2 perform it biennially.
7	Oversight and accountability –federal compliance and departmental financial audits	Higher level of oversight and accountability of federal programs and departmental financial statements	Lower level of oversight and accountability of federal programs and departmental financial statements. Departments have received unqualified opinions on financial statements over the last cycle indicating the risk of material misstatement at the department level is low. Also, as noted, reduction in the audit of major programs statewide still results in covering 96% of states federal expenditures.
8	Oversight and accountability- non-single audit areas such as performance audits	Decreased oversight in high impact high risk performance audit areas and follow up reviews	Increased oversight in high impact, high risk performance audit areas and follow up reviews. OAG had a back log of over 250 performance audits. Also, OAG audits have identified \$25 million and \$614 million in known and projected cost savings over the last 4 fiscal years and have also provided important oversight for critical issues involving public safety and trust.
9	OAG audit hours	Average 54,597 per year	29,560 annually, resulting in 25,000 audit hours available for performance audits, follow ups and State mandated audits

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10	Shift in funding	OAG Billed amounts averaged \$2.9 million each year of the two year cycle. This amount was covered with federal funds	OAG estimates federal billings to be \$2.4 million. As a result, State Agencies will be able to redirect about \$500,000 to federal programs. There will be less federal funds spent on independent audit oversight, <b>unless \$500,000 can be replaced for the OAG.</b>
11	Audit staff	128.5 FTE	<b>If \$500,000 is not replaced for the OAG, staffing will be reduced to 121.5 FTE. If replaced, the OAG will retain its 128.5 FTE.</b>
12	Funding shift explanation	Direct Federal Program hours billed at \$82. Financial Audit hours (about 12,400) billed at an average of \$40 per hour. Some hours (about 12,600) not billed (i.e. GF resources end up covering these hours).	Direct Federal audit hours will be billed at \$82 per hour. Financial Audit will be SOMCAFR. DTMB already includes these hours in the SWCAP and recoups funds that are allocated to executive branch central agencies. OAG would only be able to redirect about 12,600 hours to performance audits and follow ups or 5 performance audits. <b>If funding is replaced, the OAG could redirect all 25,000 audit hours for at least 10 additional audits per year.</b>
13	Federal programs that will be due for a two year audit in the year of conversion or stub period program audits	Not applicable	There will be additional audit requirements for some departments to convert to the annual approach. We will have to perform stub period audits of about 20 programs. Audit costs can be billed to the federal government.
14	Follow up of prior audit findings	Included within scope of the audits	Prior findings related to programs that are still major will be followed up as part of that programs audit. Prior findings for programs that no longer meet the threshold as a major program will need to be audited until the finding is resolved. Audit cost can be billed to the federal government.